



2006 Mortgage and Specialty Finance Conference

MGIC Investment Corporation

MONDAY, DECEMBER 11, 2006
LEHMAN BROTHERS
ALLAN S KAPLAN AUDITORIUM
745 SEVENTH AVENUE
NEW YORK, NY

Safe Harbor Statement

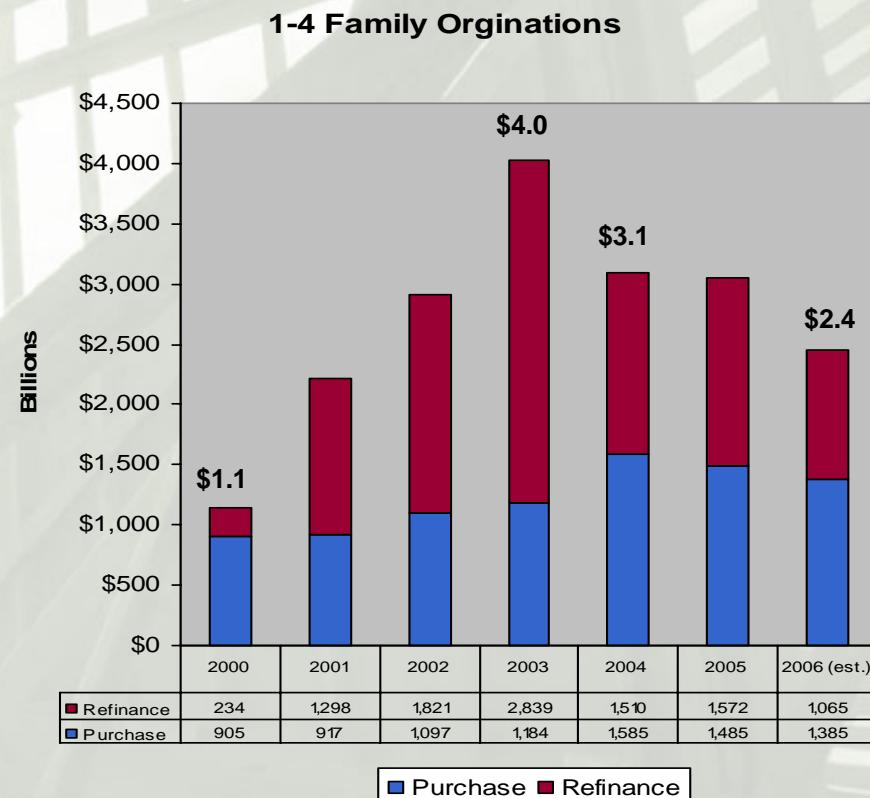
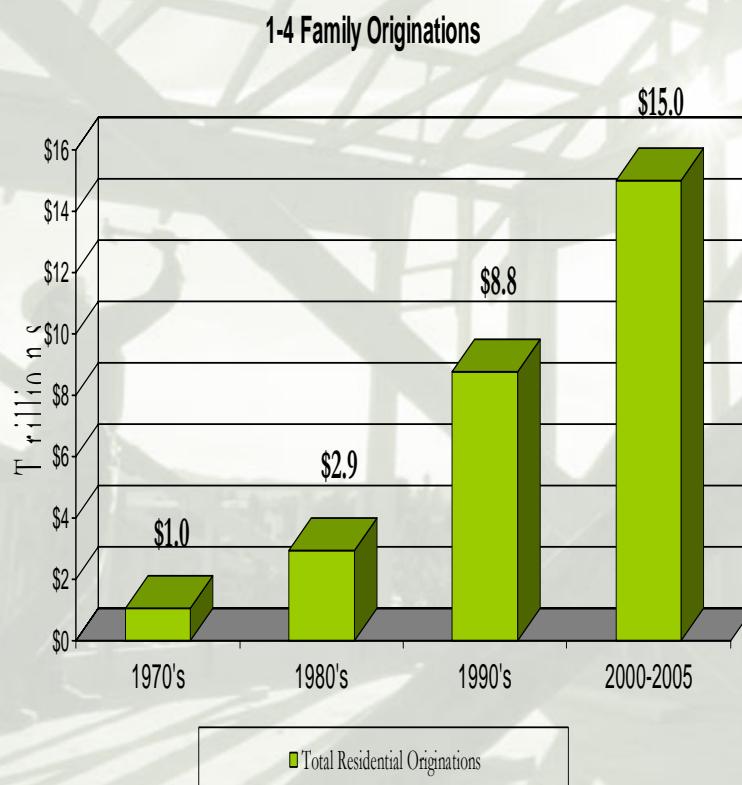


During the course of this presentation, I may make comments about expectations for the future. Actual results could differ materially from those contained in these forward-looking statements. By making these statements the company is not undertaking an obligation to update these statements in the future should subsequent events cause these expectations to change. Additional information about the factors that could cause actual results to differ materially from statements made during this presentation are contained in our press release dated October 12, 2006 and our most recent 10-Q and 10-K, all of which have been filed with the SEC, and are also presented at the end of this presentation.



- Outlook for Mortgage Originations
- MI Penetration
- MI Persistency
- Housing Market / Loan Quality
- Long Term Fundamentals

Residential Mortgage Market



SOURCE: Inside Mortgage Finance, FNMA, MBAA November Outlook

Mortgage Debt Outstanding



Annual Growth Rate (Percent per Year)*

	1991-2000	2001-2010		2001-2005	2006-2010		2006-2015	
Households	1.3%	1.2%	1.2%	1.2%	1.1%	1.2%	1.1%	1.2%
Homeownership Rate	0.3%	0.2%	0.4%	0.3%	0.1%	0.4%	0.1%	0.4%
OFHEO Home Price Index	3.7%	5.7%	7.3%	9.6%	2.0%	5.0%	3.5%	6.0%
Debt-to-Value Ratio	0.5%	0.3%	0.8%	0.7%	0.0%	1.0%	0.0%	1.0%
Statistical Discrepancy	1.1%	0.6%	0.9%	1.1%	0.0%	0.0%	0.0%	0.0%
SF Mortgage Debt Outstanding	6.9%	8.0%	10.6%	12.9%	3.2%	7.6%	4.7%	8.6%

* Actual Results through 2005; Fannie Mae forecast 2006 through 2015

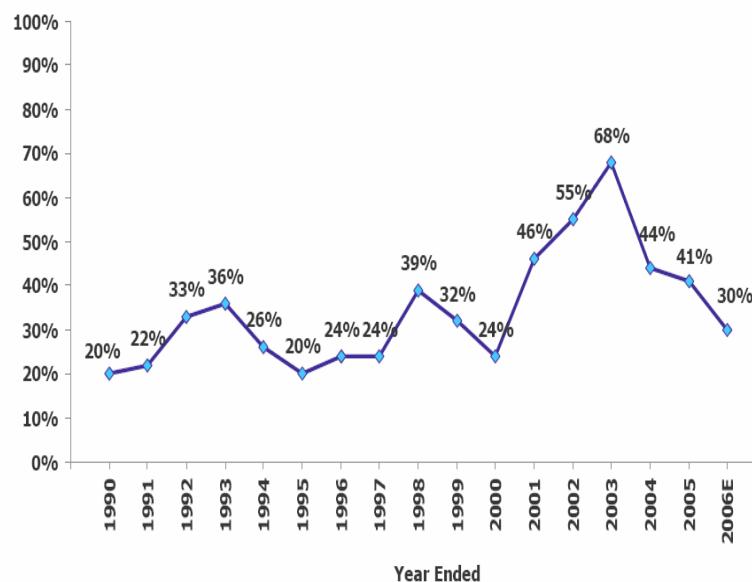
Range of MDO Growth Estimates from FNMA as of 10/16/2006

Residential Mortgage Market Outlook



Mortgage Debt Outstanding Drives Origination Volume

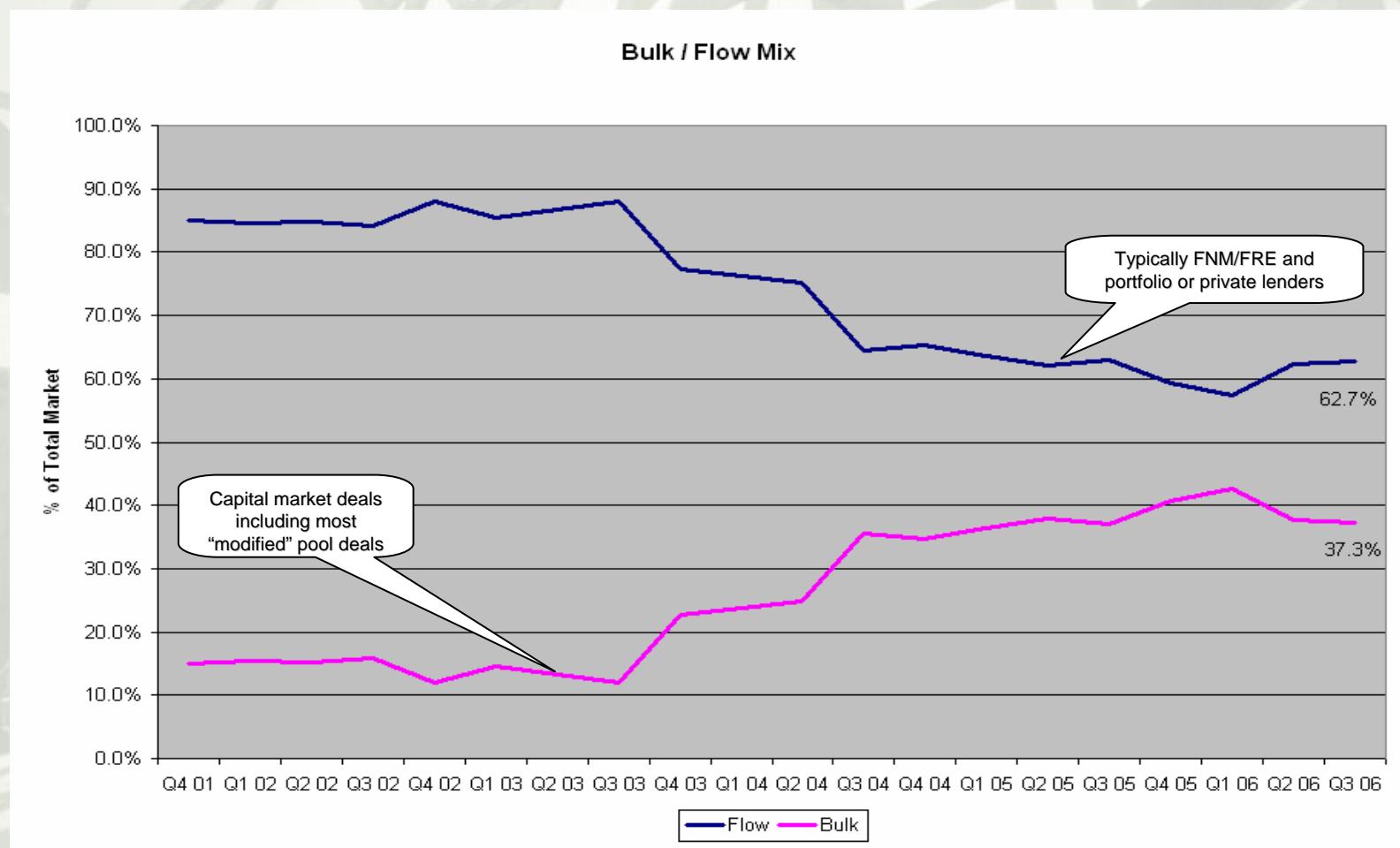
Mortgage Origination Ratio



Calculated as mortgage origination volume as reported by the MBA for the then current year divided by mortgage debt outstanding as reported by the Federal Reserve for the prior year end; 2006 estimate is based on MBA production estimate for 2006

- **Mortgage Origination Ratio (MOR):**
 - Origination volume / mortgage debt outstanding
- **MOR ~ 25% historically**
- **Approximately \$10 Trillion of MDO**
- **MOR between 20 – 25% equates to a \$2 to \$2.5 trillion market for 2007**

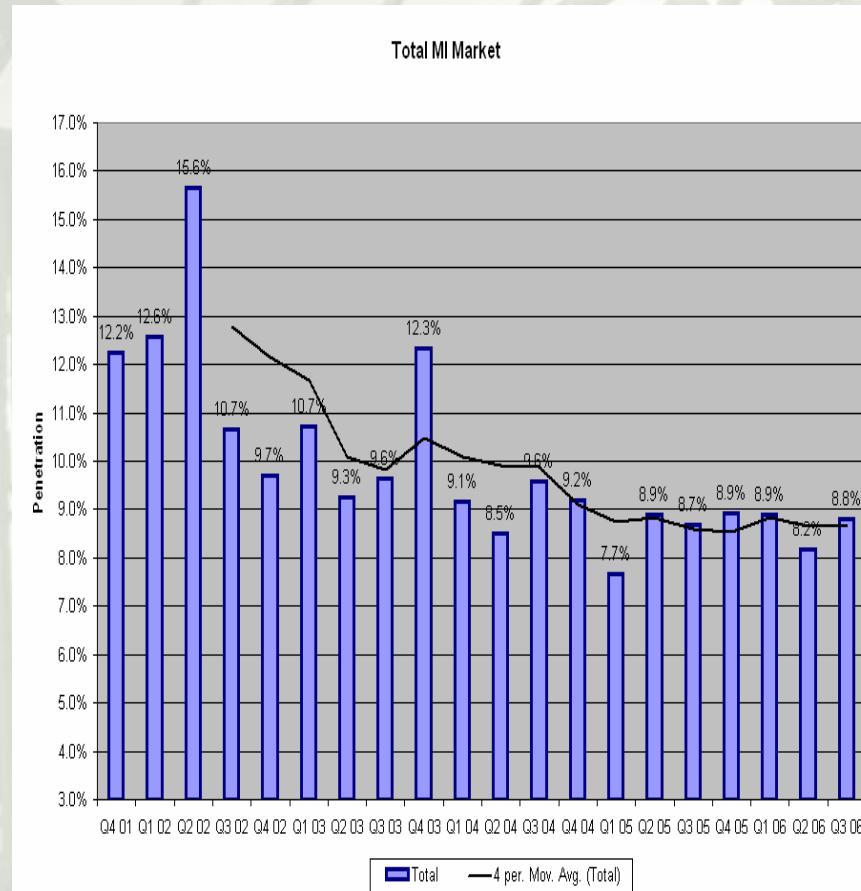
Origination Channel Distribution Primary Mortgage Insurance



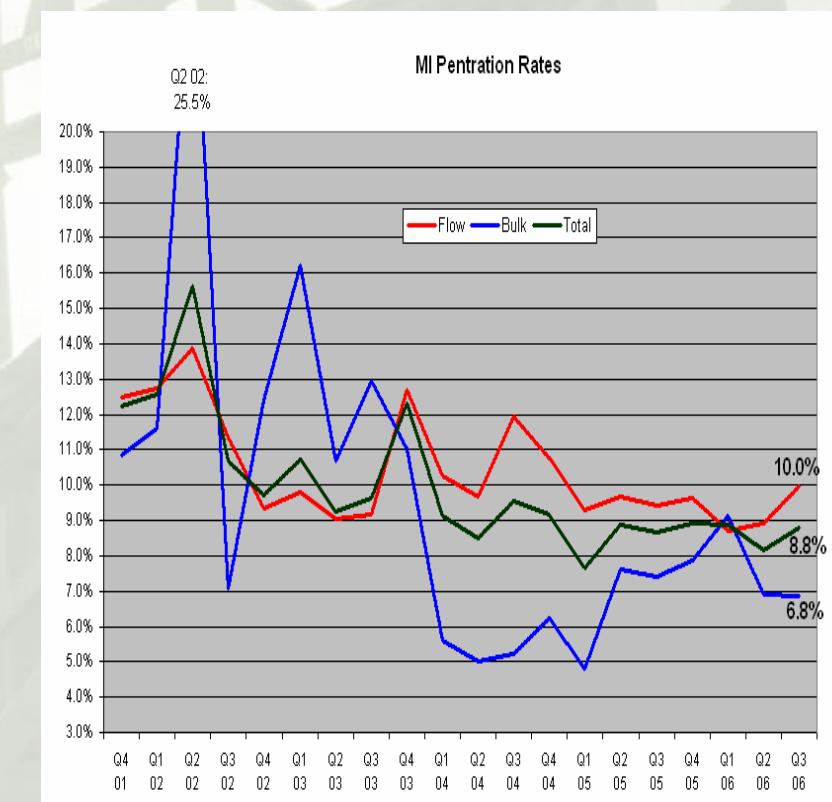
MI Penetration Rates



The “Headlines”



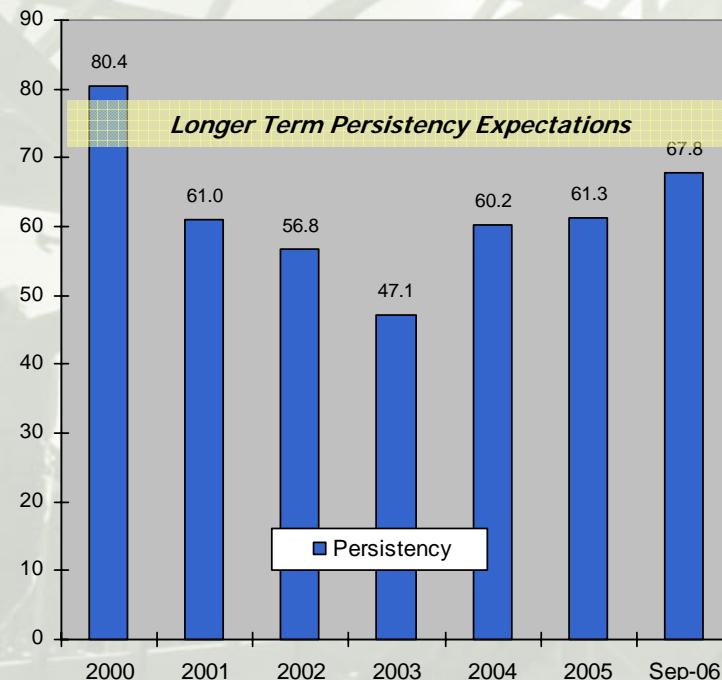
Behind the “Headlines”



Flow Penetration = Flow NIW / Total Origination volume - Non Agency MBS Issuance
Bulk Penetration = Bulk NIW / Non Agency MBS Issuance

Source: Inside Mortgage Finance and Inside MBS and

Persistency and Insurance in Force



The Bulk channel has contributed 15 – 35% of the New Insurance Written over the last several years and is now 24% of Insurance in Force

Home Price Appreciation



Annual Home Price Growth
1999 – Q3 2006

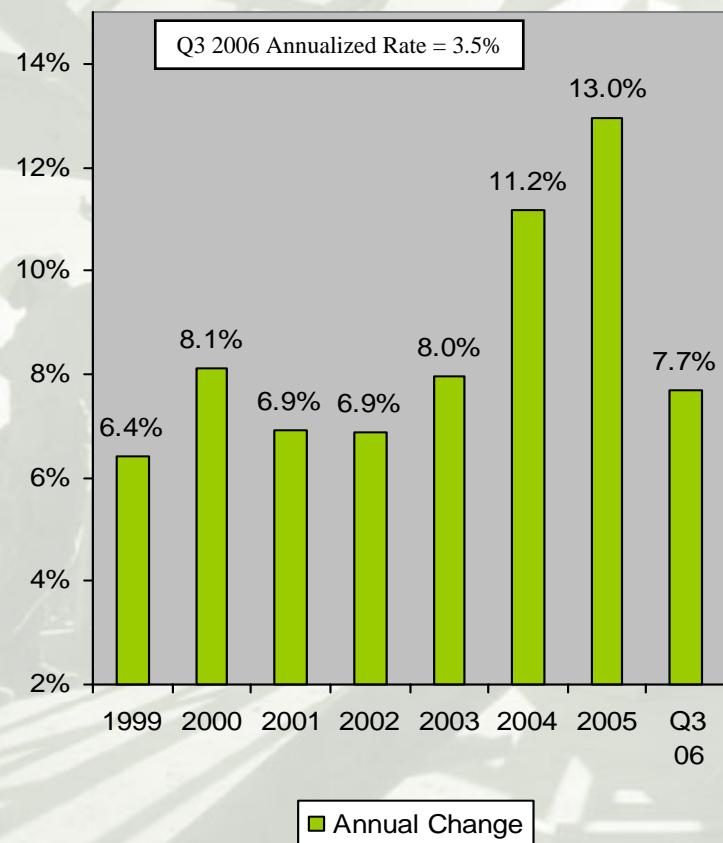
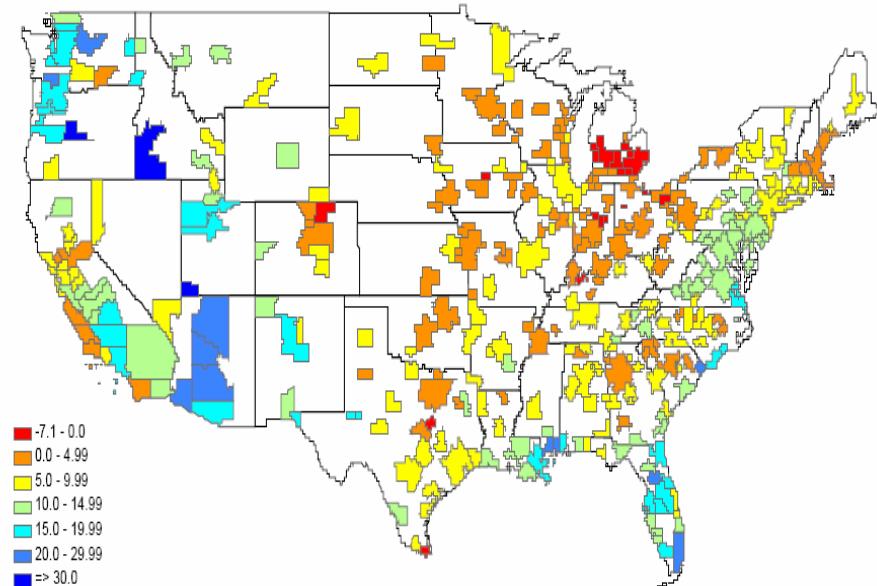


Figure 2: Geographic Distribution of Year-Over-Year Rates of Change in House Prices in 361 MSA, 3Q05-3Q06



Housing Credit Risk and Employment



Chart 1. Unemployment rates by state, seasonally adjusted
October 2006

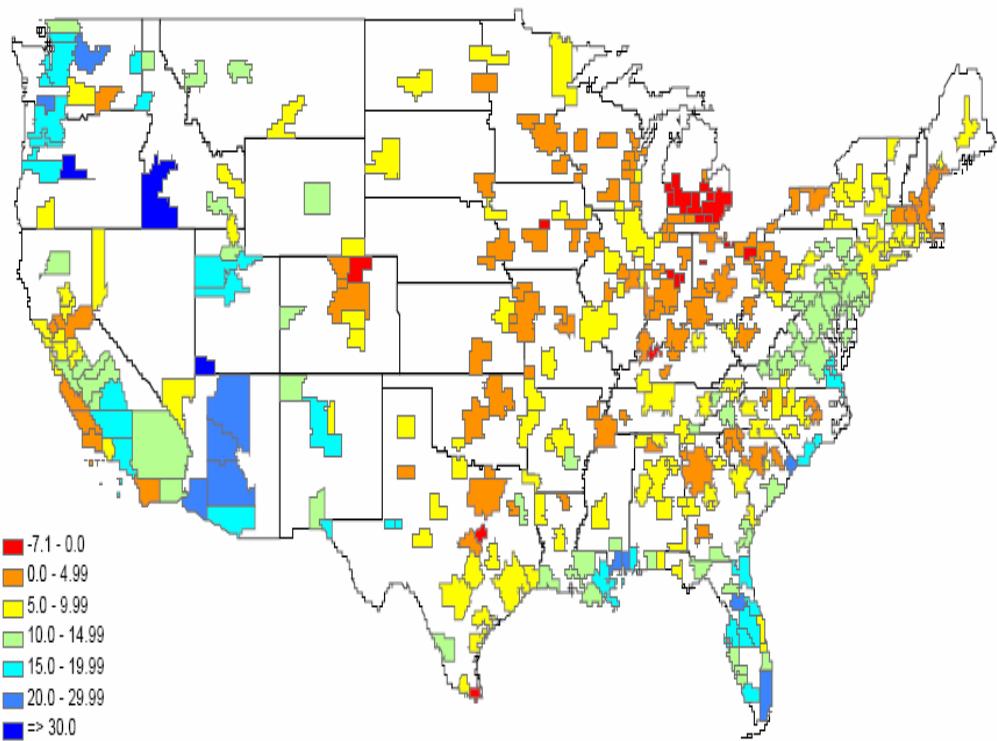
(U.S. rate = 4.4 percent)



Chart 2. Percentage change in nonfarm employment by state,
seasonally adjusted, October 2005 – October 2006

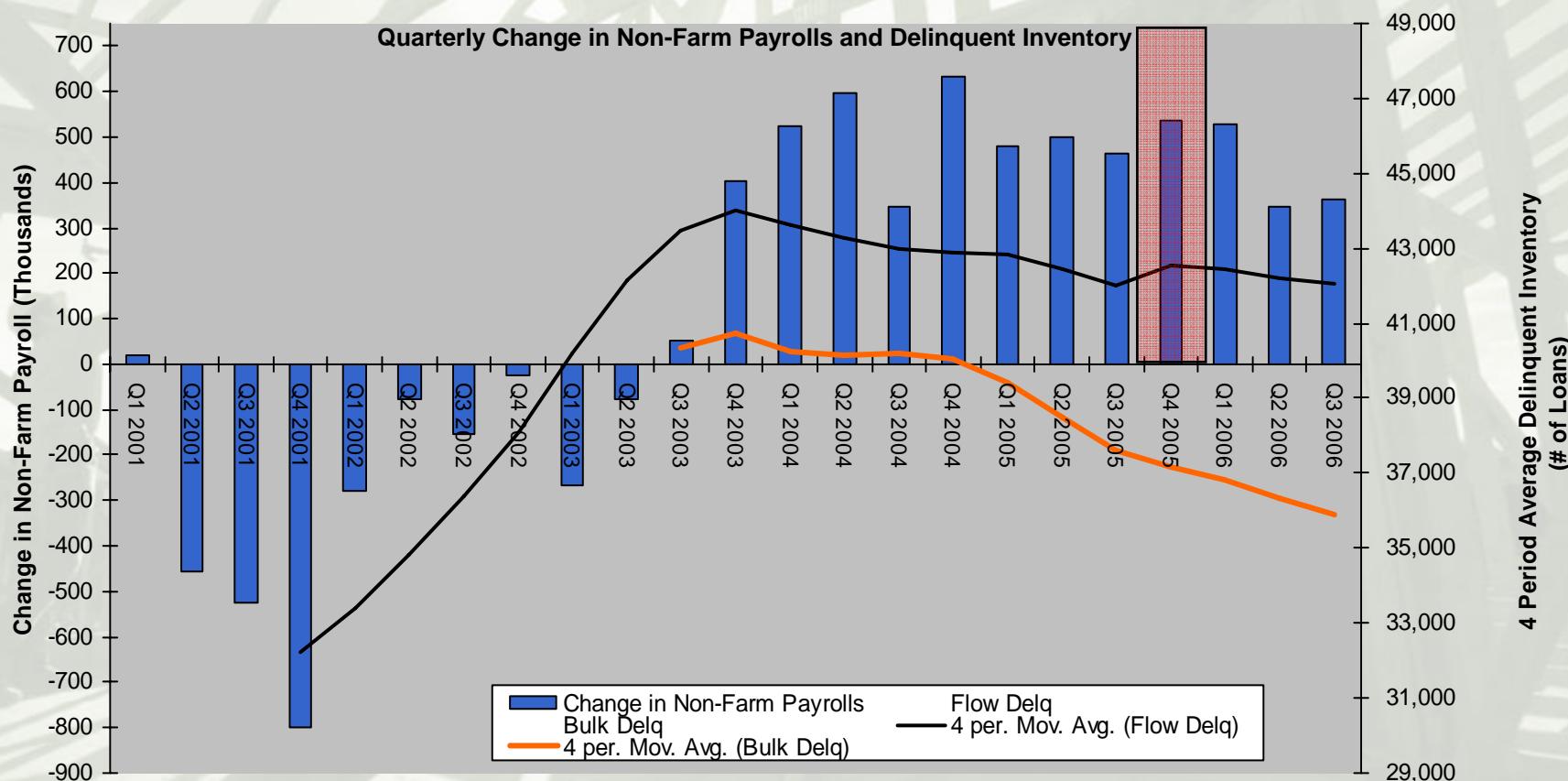


Figure 2: Geographic Distribution of Year-Over-Year Rates of Change in House Prices in 361 MSA, 3Q05–3Q06



Source: FBR ABS Research

Consumers Ability to Pay is Closely Linked with Employment



Source: Bureau of Labor Statistics Establishment Survey,
Bloomberg, Company Press Releases

Note: Shaded Area denotes impact of 2005 Hurricanes

Primary Risk in force

September 30, 2006



Who

- 91.7% Primary Residence
- 4.9% Investor Properties
- 3.4% 2nd Homes

What

- 90.7% Single Family
- 9.3% Condo/Other

Where

- Florida 9.4%
- California 8.1%
- Texas 6.5%
- Illinois 5.0%
- Michigan 4.8%

When

- 2006 24.2%
- 2005 27.2%
- 2004 17.2%
- 2003 15.8%

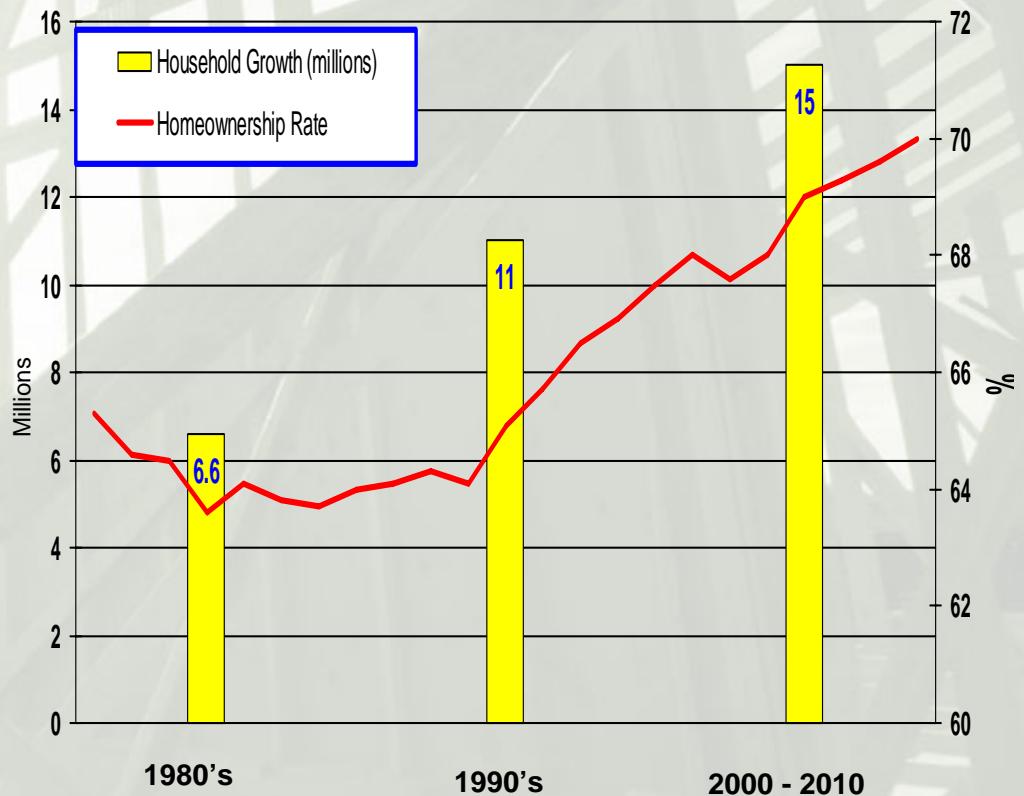
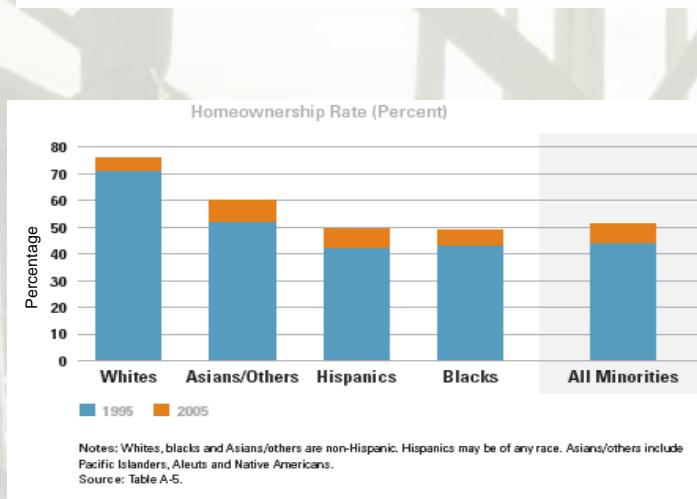
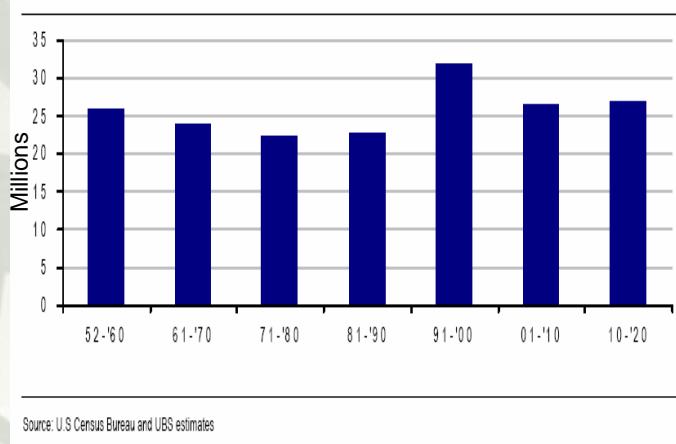
How

- 75.5% Fixed Rate
- 24.5% Adjustable
 - <1% Neg Am
 - 5.2% Option ARM
 - 7.4% I/O ARM (1)

Loan Size

- 62.6% \$0 - \$200k
- 28.2% \$201 – 350k
- 2.4% > \$500k

Demographics and Demand Provide Long Term Opportunity



Sources: U.S. Department of Commerce, U.S. Census Bureau for 1980 through June 2002 data; Fannie Mae 2005 Statistical Summary data.

Summary



- Smaller Origination Market primarily due to decrease in refinances
- Increased MI penetration and growing insurance in force
- Slowing but still positive home price appreciation
- Stable economic environment
- Focus on Affordable Housing



The amount of insurance the Company writes could be adversely affected if lenders and investors select alternatives to private mortgage insurance.

These alternatives to private mortgage insurance include:

- lenders originating mortgages using piggyback structures to avoid private mortgage insurance, such as a first mortgage with an 80% loan-to-value ("LTV") ratio and a second mortgage with a 10%, 15% or 20% LTV ratio (referred to as 80-10-10, 80-15-5 or 80-20 loans, respectively) rather than a first mortgage with a 90%, 95% or 100% LTV ratio that has private mortgage insurance,
- investors holding mortgages in portfolio and self-insuring,
- investors using credit enhancements other than private mortgage insurance or using other credit enhancements in conjunction with reduced levels of private mortgage insurance coverage, and
- lenders using government mortgage insurance programs, including those of the Federal Housing Administration and the Veterans Administration.

While no data is publicly available, the Company believes that piggyback loans are a significant percentage of mortgage originations in which borrowers make down payments of less than 20% and that their use is primarily by borrowers with higher credit scores. During the fourth quarter of 2004, the Company introduced on a national basis a program designed to recapture business lost to these mortgage insurance avoidance products. This program accounted for 10.1% of flow new insurance written in the second quarter of 2006 and 6.5% of flow new insurance written for all of 2005.

Deterioration in the domestic economy or in home prices in the segment of the market the Company serves or changes in the mix of business may result in more homeowners defaulting and the Company's losses increasing.

Losses result from events that reduce a borrower's ability to continue to make mortgage payments, such as unemployment, and whether the home of a borrower who defaults on his mortgage can be sold for an amount that will cover unpaid principal and interest and the expenses of the sale. Favorable economic conditions generally reduce the likelihood that borrowers will lack sufficient income to pay their mortgages and also favorably affect the value of homes, thereby reducing and in some cases even eliminating a loss from a mortgage default. A deterioration in economic conditions generally increases the likelihood that borrowers will not have sufficient income to pay their mortgages and can also adversely affect housing values.

The mix of business the Company writes also affects the likelihood of losses occurring. In recent years, the percentage of the Company's volume written on a flow basis that includes segments the Company views as having a higher probability of claimhas continued to increase. These segments include loans with LTV ratios over 95% (including loans with 100% LTV ratios), FICO credit scores below 620, limited underwriting, including limited borrower documentation, or total debt-to-income ratios of 38% or higher, as well as loans having combinations of higher risk factors.

Approximately 9% of the Company's primary risk in force written through the flow channel, and 72% of the Company's primary risk in force written through the bulk channel, consists of adjustable rate mortgages ("ARMs"). The Company believes that during a prolonged period of rising interest rates, claims on ARMs would be substantially higher than for fixed rate loans, although the performance of ARMs has not been tested in such an environment. Moreover, even if interest rates remain unchanged, claims on ARMs with a "teaser rate" (an initial interest rate that does not fully reflect the index which determines subsequent rates) may also be substantially higher because of the increase in the mortgage payment that will occur when the fully indexed rate becomes effective. In addition, the Company believes the volume of "interest-only" loans (which may also be ARMs) and loans with negative amortization features, such as pay option ARMs, increased in 2005 and 2006. Because interest-only loans and pay option ARMs are a relatively recent development, the Company has no data on their historical performance. The Company believes claim rates on certain of these loans will be substantially higher than on loans without scheduled payment increases that are made to borrowers of comparable credit quality.



Competition or changes in the Company's relationships with its customers could reduce the Company's revenues or increase its losses.

Competition for private mortgage insurance premiums occurs not only among private mortgage insurers but also with mortgage lenders through captive mortgage reinsurance transactions. In these transactions, a lender's affiliate reinsurance a portion of the insurance written by a private mortgage insurer on mortgages originated or serviced by the lender. As discussed under "The mortgage insurance industry is subject to risk from private litigation and regulatory proceedings" below, the Company provided information to the New York Insurance Department and the Minnesota Department of Commerce about captive mortgage reinsurance arrangements. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The level of competition within the private mortgage insurance industry has also increased as many large mortgage lenders have reduced the number of private mortgage insurers with whom they do business. At the same time, consolidation among mortgage lenders has increased the share of the mortgage lending market held by large lenders.

The Company's private mortgage insurance competitors include:

- PMI Mortgage Insurance Company,
- GE Mortgage Insurance Corporation,
- United Guaranty Residential Insurance Company,
- Radian Guaranty Inc.,
- Republic Mortgage Insurance Company,
- Triad Guaranty Insurance Corporation, and
- CMG Mortgage Insurance Company.

If interest rates decline, house prices appreciate or mortgage insurance cancellation requirements change, the length of time that the Company's policies remain in force could decline and result in declines in the Company's revenue.

In each year, most of the Company's premiums are from insurance that has been written in prior years. As a result, the length of time insurance remains in force (which is also generally referred to as persistency) is an important determinant of revenues. The factors affecting the length of time the Company's insurance remains in force include:

- the level of current mortgage interest rates compared to the mortgage coupon rates on the insurance in force, which affects the vulnerability of the insurance in force to refinancings, and
- mortgage insurance cancellation policies of mortgage investors along with the rate of home price appreciation experienced by the homes underlying the mortgages in the insurance in force.

During the 1990s, the Company's year-end persistency ranged from a high of 87.4% at December 31, 1990 to a low of 68.1% at December 31, 1998. At September 30, 2006 persistency was at 67.8%, compared to the record low of 44.9% at September 30, 2003. Over the past several years, refinancing has become easier to accomplish and less costly for many consumers. Hence, even in an interest rate environment favorable to persistency improvement, the Company does not expect persistency will approach its December 31, 1990 level.



If the volume of low down payment home mortgage originations declines, the amount of insurance that the Company writes could decline which would reduce the Company's revenues.

The factors that affect the volume of low-down-payment mortgage originations include:

- The level of home mortgage interest rates,
- the health of the domestic economy as well as conditions in regional and local economies,
- housing affordability,
- population trends, including the rate of household formation,
- the rate of home price appreciation, which in times of heavy refinancing can affect whether refinance loans have LTV ratios that require private mortgage insurance, and
- government housing policy encouraging loans to first-time homebuyers.

In general, the majority of the underwriting profit (premium revenue minus losses) that a book of mortgage insurance generates occurs in the early years of the book, with the largest portion of the underwriting profit realized in the first year. Subsequent years of a book generally result in modest underwriting profit or underwriting losses. This pattern of results occurs because relatively few of the claims that a book will ultimately experience occur in the first few years of the book, when premium revenue is highest, while subsequent years are affected by declining premium revenues, as persistency decreases due to loan prepayments, and higher losses.

If all other things were equal, a decline in new insurance written in a year that followed a number of years of higher volume could result in a lower contribution to the mortgage insurer's overall results. This effect may occur because the older books will be experiencing declines in revenue and increases in losses with a lower amount of underwriting profit on the new book available to offset these results.

Whether such a lower contribution would in fact occur depends in part on the extent of the volume decline. Even with a substantial decline in volume, there may be offsetting factors that could increase the contribution in the current year. These offsetting factors include higher persistency and a mix of business with higher average premiums, which could have the effect of increasing revenues, and improvements in the economy, which could have the effect of reducing losses. In addition, the effect on the insurer's overall results from such a lower contribution may be offset by decreases in the mortgage insurer's expenses that are unrelated to claim or default activity, including those related to lower volume.

Changes in the business practices of Fannie Mae and Freddie Mac could reduce the Company's revenues or increase its losses.

The business practices of the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"), each of which is a government sponsored entity ("GSE"), affect the entire relationship between them and mortgage insurers and include:

- the level of private mortgage insurance coverage, subject to the limitations of Fannie Mae and Freddie Mac's charters, when private mortgage insurance is used as the required credit enhancement on low down payment mortgages,
- whether Fannie Mae or Freddie Mac influence the mortgage lender's selection of the mortgage insurer providing coverage and, if so, any transactions that are related to that selection,



- whether Fannie Mae or Freddie Mac will give mortgage lenders an incentive, such as a reduced guaranty fee, to select a mortgage insurer that has a "AAA" claims-paying ability rating to benefit from the lower capital requirements for Fannie Mae and Freddie Mac when a mortgage is insured by a company with that rating,
- the underwriting standards that determine what loans are eligible for purchase by Fannie Mae or Freddie Mac, which thereby affect the quality of the risk insured by the mortgage insurer and the availability of mortgage loans,
- the terms on which mortgage insurance coverage can be canceled before reaching the cancellation thresholds established by law, and
- the circumstances in which mortgage servicers must perform activities intended to avoid or mitigate loss on insured mortgages that are delinquent.

The mortgage insurance industry is subject to the risk of private litigation and regulatory proceedings.

Consumers are bringing a growing number of lawsuits against home mortgage lenders and settlement service providers. In recent years, seven mortgage insurers, including MGIC, have been involved in litigation alleging violations of the anti-referral fee provisions of the Real Estate Settlement Procedures Act, which is commonly known as RESPA, and the notice provisions of the Fair Credit Reporting Act, which is commonly known as FCRA. MGIC's settlement of class action litigation against it under RESPA became final in October 2003. MGIC settled the named plaintiffs' claims in litigation against it under FCRA in late December 2004 following denial of class certification in June 2004. There can be no assurance that MGIC will not be subject to future litigation under RESPA or FCRA or that the outcome of any such litigation would not have a material adverse effect on the Company. In August 2005, the United States Court of Appeals for the Ninth Circuit decided a case under FCRA to which the Company was not a party that may make it more likely that the Company will be subject to litigation regarding when notices to borrowers are required by FCRA.

In June 2005, in response to a letter from the New York Insurance Department (the "NYID"), the Company provided information regarding captive mortgage reinsurance arrangements and other types of arrangements in which lenders receive compensation. In February 2006, the NYID requested MGIC to review its premium rates in New York and to file adjusted rates based on recent years' experience or to explain why such experience would not alter rates. In March 2006, MGIC advised the NYID that it believes its premium rates are reasonable and that, given the nature of mortgage insurance risk, premium rates should not be determined only by the experience of recent years. In February 2006, in response to an administrative subpoena from the Minnesota Department of Commerce (the "MDC"), which regulates insurance, the Company provided the MDC with information about captive mortgage reinsurance and certain other matters. The Company subsequently provided additional information to the MDC. Other insurance departments or other officials, including attorneys general, may also seek information about or investigate captive mortgage reinsurance.

The anti-referral fee provisions of RESPA provide that the Department of Housing and Urban Development ("HUD") as well as the insurance commissioner or attorney general of any state may bring an action to enjoin violations of these provisions of RESPA. The insurance law provisions of many states prohibit paying for the referral of insurance business and provide various mechanisms to enforce this prohibition. While the Company believes its captive reinsurance arrangements are in conformity with applicable laws and regulations, it is not possible to predict the outcome of any such reviews or investigations nor is it possible to predict their effect on the Company or the mortgage insurance industry.

Net premiums written could be adversely affected if the Department of Housing and Urban Development reproposes and adopts a regulation under the Real Estate Settlement Procedures Act that is equivalent to a proposed regulation that was withdrawn in 2004.

HUD regulations under RESPA prohibit paying lenders for the referral of settlement services, including mortgage insurance, and prohibit lenders from receiving such payments. In July 2002, HUD proposed a regulation that would exclude from these anti-referral fee provisions settlement services included in a package of settlement services offered to a borrower at a guaranteed price. HUD withdrew this proposed regulation in March 2004. Under the proposed regulation, if mortgage insurance were required on a loan, the package must include any mortgage insurance premium paid at settlement. Although certain state insurance regulations prohibit an insurer's payment



of referral fees, had this regulation been adopted in this form, the Company's revenues could have been adversely affected to the extent that lenders offered such packages and received value from the Company in excess of what they could have received were the anti-referral fee provisions of RESPA to apply and if such state regulations were not applied to prohibit such payments.

The Company could be adversely affected if personal information on consumers that it maintains is improperly disclosed.

As part of its business, the Company maintains large amounts of personal information on consumers. While the Company believes it has appropriate information security policies and systems to prevent unauthorized disclosure, there can be no assurance that unauthorized disclosure, either through the actions of third parties or employees, will not occur. Unauthorized disclosure could adversely affect the Company's reputation and expose it to material claims for damages.

The Company's income from joint ventures could be adversely affected by credit losses, insufficient liquidity or competition affecting those businesses.

C-BASS: Credit-Based Asset Servicing and Securitization LLC ("C-BASS") is principally engaged in the business of investing in the credit risk of credit sensitive single-family residential mortgages. C-BASS is particularly exposed to funding risk and to credit risk through ownership of the higher risk classes of mortgage backed securities from its own securitizations and those of other issuers. In addition, C-BASS's results are sensitive to its ability to purchase mortgage loans and securities on terms that it projects will meet its return targets. C-BASS's mortgage purchases in 2005 and 2006 have primarily been of subprime mortgages, which bear a higher risk of default. Further, a higher proportion of subprime mortgage originations in 2005 and in 2006, as compared to 2004, were interest-only loans, which C-BASS views as having greater credit risk. C-BASS has not purchased any pay option ARMs, which are another type of higher risk mortgage. Credit losses are affected by housing prices. A higher house price at default than at loan origination generally mitigates credit losses while a lower house price at default generally increases losses. Over the last several years, in certain regions home prices have experienced rates of increase greater than historical norms and greater than growth in median incomes. During the period 2003 to 2005, according to the Office of Federal Housing Oversight, home prices nationally increased 27%.

Recent forecasts predict that home prices will have minimal if any increase over the remainder of 2006, and may decline in certain regions.

With respect to liquidity, the substantial majority of C-BASS's on-balance sheet financing for its mortgage and securities portfolio is dependent on the value of the collateral that secures this debt. C-BASS maintains substantial liquidity to cover margin calls in the event of substantial declines in the value of its mortgages and securities. While C-BASS's policies governing the management of capital at risk are intended to provide sufficient liquidity to cover an instantaneous and substantial decline in value, such policies cannot guarantee that all liquidity required will in fact be available. Further, approximately 43% of C-BASS's financing has a term of less than one year, and is subject to renewal risk.

The interest expense on C-BASS's borrowings is primarily tied to short-term rates such as LIBOR. In a period of rising interest rates, the interest expense could increase in different amounts and at different rates and times than the interest that C-BASS earns on the related assets, which could negatively impact C-BASS's earnings.



Although there has been growth in the volume of subprime mortgage originations in recent years, volume is expected to decline in 2006, which may result in C-BASS purchasing fewer mortgages for securitization. Since 2005, there has been an increasing amount of competition to purchase subprime mortgages, from mortgage originators that formed real estate investment trusts and from firms, such as investment banks and commercial banks, that in the past acted as mortgage securities intermediaries but which are now establishing their own captive origination capacity. Many of these competitors are larger and have a lower cost of capital.

Sherman: The results of Sherman Financial Group LLC ("Sherman"), which is principally engaged in the business of purchasing and servicing delinquent consumer assets, are sensitive to its ability to purchase receivable portfolios on terms that it projects will meet its return targets. While the volume of charged-off consumer receivables and the portion of these receivables that have been sold to third parties such as Sherman has grown in recent years, there is an increasing amount of competition to purchase such portfolios, including from new entrants to the industry, which has resulted in increases in the prices at which portfolios can be purchased.